



Breakout and Retest

Breakout + Retest | BEGINNER | Timeframes: 15M, 30M (context: 1H, 4H)

STATUS: TESTING

1119 backtested trades | win rate 32.1% | profit factor 0.85 | worst drawdown 31.6% | avg RR 1:2

Past results do not guarantee future results. Educational use only.

What it is

Price closes decisively beyond a level it has respected, then comes back to test that level from the other side. If the level holds as new support (or resistance), you enter in the direction of the breakout with the stop beyond the level.

In simple words

Many breakouts fail, and the first spike is the riskiest place to join. Instead, let price break out, wait for it to come back and touch the old level, and only enter if that level now holds.

Why it may work

A level that mattered before often keeps mattering after it breaks, because traders who were wrong at the level exit and traders who missed the break enter on the retest. Waiting also filters many false breakouts, at the cost of missing moves that never retest.

Example chart



Resistance is tested twice, broken with a strong close, retested from above and held. The entry is the confirming candle after the retest. (Illustrative diagram drawn by Bahari Academy. It is not real market data and not a prediction.)

Best market conditions

- A clear, repeatedly respected level or range edge
- A decisive candle close beyond it
- A shallow, orderly retest
- Room to the next level

When NOT to trade it

- The breakout candle is a tiny drift rather than a decisive close
- Price closes back inside the old range
- The level has been tested many times and is weak
- News is about to hit

Timeframes

Entry: 15M, 30M. Context: 1H, 4H. Mark the level on the 1H chart and look for the retest on the 15M chart.

Step-by-step setup

1. Mark a level that price has respected at least twice
2. Wait for a candle to CLOSE beyond it (not just a wick)
3. Wait for price to return to the level
4. Look for a rejection or engulfing candle at the level
5. Enter with the stop beyond the level
6. If price closes back inside the old range, stand aside

Entry rules

- A decisive close beyond the level
- A retest that touches or enters the level zone
- A confirming candle that closes in the breakout direction

Stop loss

Beyond the retested level (below the old resistance for a buy, above the old support for a sell), with a small buffer.

Take profit

The next structure level or a fixed 2R; consider taking part profit at 1R.

Risk / reward

At least 1:2. Retests give a tight stop, so the ratio is usually favourable when the setup is clean.

Confirmation

- The retest candle shows rejection from the level
- The next candle closes away from the level
- The breakout agrees with the higher-timeframe direction

Invalidation

- A candle closes back inside the old range
- Price slices through the retest zone with a large candle

Common mistakes

- Buying the breakout spike
- Treating a wick through a level as a breakout
- Ignoring a failed breakout
- Placing the stop inside the old range

How this strategy performed in our own backtests

Backtested on 1119 trades but not verified: 6 of 9 checks not met (win rate above 50%; profit factor at least).

Tested on 2026-10-03 with engine bahari-bt-1.0.0. Approximation: a recent break of structure, then an engulfing confirmation back at a support/resistance zone, 1:2 target.

Markets: BTCUSDT, ETHUSDT, SOLUSDT. Timeframes: 15m, 30m, 5m. Conditions with enough trades: 1 profitable of 9.

To be VERIFIED a strategy needs at least 300 trades, a win rate above 50%, a profit factor of 1.2+ and drawdown under 25%, across several markets and timeframes and both halves of the history.

- [pass] Sample size of at least 300 trades: 1119 trades
- [not met] Win rate above 50%: 32.1%
- [not met] Profit factor at least 1.2: 0.85
- [not met] Average result per trade above 0.05R after costs: -0.106R
- [not met] Worst max drawdown at most 25%: 31.6%
- [pass] Average planned reward:risk at least 1:1: 1:2
- [pass] Tested in at least 4 market/timeframe conditions (2+ markets, 2+ timeframes): 9 conditions, 3 markets, 3 timeframes
- [not met] Profitable in at least 67% of the conditions: 1 of 9
- [not met] Profitable in BOTH halves of the history (profit factor at least 1 in each): first 0.79, second 0.92

Quiz

1. What confirms a breakout?

- A) A wick through the level
- B) A decisive candle close beyond the level
- C) A news headline
- D) A large lot size

Answer: B. Closes are more reliable than wicks, which often fade.

2. After a bullish breakout, the old resistance often acts as:

- A) Support on the retest
- B) Resistance again for certain
- C) Nothing
- D) A gap

Answer: A. Broken resistance can turn into support when price returns to test it.

3. Price breaks out, then closes back inside the old range. You should:

- A) Enter anyway
- B) Treat the breakout as failed and stand aside
- C) Double the position
- D) Remove the stop

Answer: B. A close back inside the range is a failed breakout, which is your invalidation.

4. A downside of waiting for the retest is:

- A) It guarantees losses
- B) You may miss moves that never retest
- C) Higher fees
- D) Nothing

Answer: B. Some breakouts run away without returning. That is the price of avoiding many false ones.

Practical challenge

Look for a break and retest in a challenge and decide whether the retest is a valid entry. Open Challenges on bahari-academy.netlify.app to practise with the future candles hidden.

Important

Trading involves risk, and you can lose money, including all of the capital you risk. This lesson is for education only and is not financial advice. Nothing here guarantees profit, and backtested results do not guarantee future results.